

Message Text

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C O N F I D E N T I A L MADRID 4094

E.O. 11652: GDS

TAGS: ETRD EEC SP

SUBJECT: SPANISH COUNTERPROPOSAL TO EEC FOR NEW AGREEMENT

REF: MADRID 3814

1. ON JULY 16 AND 17 THE GOS PRESENTED ITS COUNTER-PROPOSAL TO THE EEC'S MANDATE FOR NEGOTIATING A NEW AGREEMENT.

2. IN GENERAL TERMS, ON THE INDUSTRIAL PRODUCTS' SIDE, THE SPANISH PROPOSED THAT THEY WOULD REDUCE THEIR TARIFFS TO THE EEC IN A LINEAR FASHION THAT WOULD BE STAGED OVER AN 11-YEAR PERIOD AND WHICH WOULD BRING THE LEVELS TO ZERO THE 1ST OF JANUARY 1985. THE GOS WOULD ACCEPT THE EEC MANDATE'S OFFER TO REDUCE ITS TARIFFS TO THE ENTRY OF SPANISH GOODS TO ZERO IN 1977.

3. THE SPANISH COUNTERPROPOSAL FOR AGRICULTURAL PRODUCTS WOULD PROVIDE FOR ZERO TARIFF LEVELS ON BOTH SIDES AS OF JANUARY 1, 1985. SINCE THE COMMUNITY'S AGRICULTURAL REGULATIONS ARE NOT YET FULLY ESTABLISHED, THE SPECIFIC

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STAGING OF THE REDUCTIONS OF THE TARIFFS AND QUOTAS

WOULD NOT BE IMMEDIATELY MADE SPECIFIC; THIS WOULD BE ACCOMPLISHED AT SO-CALLED "AGRICULTURAL RENDEZVOUS" IN 1977 AND 1980.

4. RAIMUNDO BASSOLS, THE GOS FOREIGN MINISTRY SUB-DIRECTOR GENERAL IN CHARGE OF THE NEGOTIATION, ADMITTED TO AN EMBOFF THAT THE STATED POSITIONS OF THE COMMUNITY AND HIS GOVERNMENT ON THE FORM OF THE POTENTIAL NEW AGREEMENT WERE VERY FAR APART. AS REPORTED IN THE REFTEL, THE COMMUNITY SEEKS FREE ENTRY OF ITS INDUSTRIAL PRODUCTS INTO SPAIN IN 1977 AND OFFERS VERY LITTLE ON THE AGRICULTURAL SIDE. DESPITE THE DISTANCE IN THE PUBLICLY STATED POSITIONS HE DREW ENCOURAGEMENT FROM THE FACT THAT AGREEMENT HAD BEEN REACHED TO SIT DOWN AGAIN WITH THE COMMUNITY IN THE LAST WEEK OF SEPTEMBER FOR THE PURPOSE OF CLOSING THE GAP THROUGH NEGOTIATION. IF THERE WERE ABSOLUTELY NO POSSIBILITY OF THE TWO SIDES APPROACHING ONE ANOTHER'S POSITION AND IF A COMPROMISING SPIRIT WAS NOT PRESENT, HE DID NOT THINK THIS NEGOTIATING DATE WOULD HAVE BEEN AGREED TO. BASSOLS CONFIDED THAT PRIVATE CONVERSATIONS WITH RESPONSIBLE COMMUNITY REPRESENTATIVES REVEALED THAT THE EEC WOULD PROVIDE SPAIN MUCH MORE IN TERMS OF AGRICULTURAL CONCESSIONS THAN THE MANDATE APPEARS TO INDICATE. SPECIFICALLY, HE SAID, THEY WERE TOLD THAT ZERO LEVEL TARIFFS FOR 90 TO 95 PERCENT OF THE AGRICULTURAL TRADE WOULD BE POSSIBLE TO GRANT BY 1985. THE COMMUNITY REPRESENTATIVES ARE REPORTED TO HAVE SAID THAT POLITICAL CONSIDERATIONS WOULD PREVENT LABELING THIS ARRANGEMENT AN AGRICULTURAL FREE TRADE AREA, SO THE 5 OR 10 PERCENT NON-COVERAGE WOULD HAVE TO BE PRESERVED. BASSOLS OBSERVED THAT THE PROBLEM IN THIS ARRANGEMENT IS THAT THE COMMUNITY WOULD DEMAND A LOWERING OF SPANISH TARIFFS ON INDUSTRIAL GOODS TO ZERO LEVELS IN 1977 AS THE QUID PRO QUO FOR THESE AGRICULTURAL CONCESSIONS.

5. SIGNIFICANT TO THE U.S. IS THE FACT THAT SPAIN HAS FORMALLY REGISTERED ITS DESIRE FOR A FREE TRADE AREA WITH THE EEC IN BOTH INDUSTRIAL AND AGRICULTURAL PRODUCTS WITH A CONCRETE DATE IN THE FUTURE WHEN ZERO LEVEL TARIFFS WOULD BE REACHED, THEREBY APPARENTLY

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ACHIEVING A FULLY GATTABLE AGREEMENT. WHETHER IT IS REALISTIC TO EXPECT THAT THE COMMUNITY WOULD GRANT THEM THIS SORT OF ARRANGEMENT IS ANOTHER QUESTION. WHAT IS CLEAR, HOWEVER, IS THAT THE DIRECTION OF THE NEGOTIATIONS IS DEFINITELY HEADED TOWARDS AN AGREEMENT THAT WILL CONFORM MORE CLOSELY THAN THE EXISTING ONE TO GATT PROVISIONS, A FACT WHICH UNDOUBTEDLY COULD AFFECT OUR ARTICLE XXIII CONSULTATION APPROACH.

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